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BUSINESS EDITOR: DAVID YATES (514) 987-2512

HOW THEY CLOSED

TSE	9265.29	+150.24
CDNX	3180.64	+6.62
DOW	10,681.06	+163.81
NASDAQ	3138.27	+171.55
GOLD (N.Y.)	$264.90	+$0.60
DOLLAR	64.68	–0.17
PRIME RATE	7.50	UNCH

See World Markets on Page D6

Jitec investor eyes lawsuit

Seeks permission to launch class action alleging illegal manipulation of stock by CEO

DON MACDONALD
The Gazette

An investor who blames the illegal manipulation of Jitec Inc. stock for $130,000 in trading losses is seeking permission to launch a class-action suit against the company, its chief executive officer and three brokerage firms.

In court documents, Yves Beaudoin accuses Jitec CEO Benoit Laliberté of manipulating the stock upward through a series of brokerage accounts and also alleges that the Nuns' Island company issued misleading press releases to support the stock price.

The suit also alleges that Jitec has "grossly overstated" its technology "if it exists at all."

The document states that Beaudoin sold short 20,700 Jitec shares between July 26, the day the company went public on the Montreal Exchange, and Aug. 2 at an average price of $4.55 per share.

A short sale occurs when investors borrow stock and then sell it into the market in the hope that the share price will drop, allowing them to profit by purchasing the stock back and replacing what was borrowed.

Beaudoin's suit says he anticipated Jitec's stock price would fall after the initial excitement of the public listing subsided. Instead, the price continued to climb, and he was forced to buy stock in the market to cover his short position at $10.83 a share, producing a loss of $131,253 including commissions and fees.

"(Beaudoin's) decision to buy shares in Jitec in order to cover his 'short-sale' position was based upon the artificially high and rising trade volume and price of Jitec's shares and on the false and misleading press releases," the court document states.

Jitec's stock price hit a high of $11.65 in early August. As controversy has swirled around the company in recent weeks, the stock has plummeted to yesterday's close of $1.27, down 18 cents on the day. The action, filed in Quebec Superior Court, seeks to institute a class action on behalf of anyone who was a shareholder in Jitec between July 26 and Nov. 9.

Jitec designs, builds and markets network-computing equipment aimed at small and medium-size businesses.

On Friday, the Quebec Securities Commission barred Laliberté from trading in Jitec stock, accusing him of having supported the share price by heavily trading in at least seven brokerage accounts opened in his name or by a numbered company whose sole director is his friend Michel Saint-Pierre.

The QSC also said Laliberté transferred more than 8 million Jitec shares to 35 individuals or companies. Laliberté failed to report all his trades and share transfers as is required of company insiders, the QSC said.

Laliberté, who has temporarily withdrawn from the company, will contest the trading ban and allegations against him at a QSC hearing on Friday.

The 28-year-old founder of Jitec failed to return a telephone message yesterday seeking a comment on the allegations contained in Beaudoin's court action. A spokesman for Jitec refused to comment on the suit, saying it had been forwarded to the company's lawyers.

Spokesmen for the brokers named in the suit – **CIBC World Markets, Leduc & Associates Securities** and **Canaccord Capital Corp.** – declined comment or, in the case of Leduc, failed to return a phone message.

Please see **JITEC,** *Page D2*

Old foe lends a hand

PQ tax breaks to help Standard Life expand

PAUL DELEAN
The Gazette

Apparently, there are no hard feelings.

Five years after urging supporters of the No side to "crush" the Parti Québécois's sovereignty proposal in the last referendum, **Standard Life's** president of Canadian operations, Claude Garcia, had PQ cabinet minister Bernard Landry at his side yesterday for the announcement of a major expansion that will add an estimated 240 jobs to the Montreal-based insurance and financial-services company by 2003.

Quebec will provide tax concessions equivalent to about $2.8 million a year for 10 years if the company makes good on its pledge to increase its annual Quebec payroll of $62 million by a further $15 million within three years.

The tax breaks, under a program unveiled in the last provincial budget, are for major projects in what Quebec has deemed "propulsive" sectors, of which financial services is one.

It's the same program the government is using to entice Taiwanese chipmaker **Mosel Vitelic,** Landry said, "only Standard Life was quicker."

"I don't think I've ever in my life paid homage to Mr. Garcia. It's never too late to do it," Finance Minister Landry quipped after praising Standard Life's vote of confidence in Quebec, which includes the $16-million renovation of a Stanley St. high-rise that will help house its fast-growing work force.

Garcia, who surely knew a question about the referendum remarks was coming, sidestepped it when it finally came his way.

"This is a business decision," he said. "We're talking business today."

PIERRE OBENDRAUF, GAZETTE

Standard Life's Claude Garcia addresses yesterday's press conference. "The (tax) program is available; we're using it."

The tone for the joint announcement was cordial, but there were still a few sparks.

Quebec's press release referred to new investment of "at least" $75 million over the next three years. Garcia said that figure came from the government. He said Standard Life had committed $26 million to technological upgrading in 2000, and though it expected to invest similar amounts the next three years, wouldn't be held to a number.

He noted that one of the reasons the company had decided not to move into the government-subsidized E-Commerce Place was because "rents in that neighbourhood will be high."

He also said it was "the decision of the government elected by Quebecers" to offer generous subsidy programs for corporations while taxing personal incomes at a high rate, and his company simply acted in its best interests. "The program is available, we're using it," he said.

Landry countered that Quebec's corporate-tax rate actually is competitive with other provinces, even if the personal income-tax rate remains high, an imbalance he said the previous government aggravated.

As far as the government's role, "almost all governments in the world are interventionist in one form or another. If we had full employment, I might talk another way, but we don't," Landry said.

Scotland-based Standard Life, one of the world's largest financial-services companies, has been doing business in Canada since 1833, when it opened an office in Quebec City. It has a payroll of 1,552 in Canada, with 1,232 of those employees in Quebec. Canadian operations account for about $22 billion of its $187 billion in assets under management worldwide.

Garcia said Standard Life's revenue more than doubled from 1996 to 2000, and he anticipates growth of about 15 per cent a year for the next three from Canadian operations.

Joliette cigar plant to be snuffed out soon

JAN RAVENSBERGEN
The Gazette

Production at Canada's largest cigar-manufacturing plant, in Joliette, will be snuffed out beginning next spring, under a deal unveiled yesterday by **Imperial Tobacco Canada Ltd.**

All of the 62 unionized personnel affected have been offered jobs at Imperial's 1,000-employee plant and head office in St. Henri, the company said.

Skandinavisk Tobakskompagni of Denmark has bought all of Imperial's cigar trademarks, for terms that were not disclosed.

Production of the cigars and cigarillos – under the Colts, Old Port, White Owl, Reas, La Palina and House of Lords brand names – will be transferred next spring to an undisclosed location in Europe, where the Danes will continue to produce the same brands for the Canadian market.

Skandinavisk Tobakskompagni made the deal through **ST Cigar Group Holding BV,** a newly formed Canadian holding company.

The purchase "further completes our portfolio of well-known and strong cigar brands," managing director Hans Hoppenbrouwers of the Danish firm said in a statement.

Those existing brands include Café Crème, Henri Wintermans and Nobel Petit.

"We are determined to further develop the strong position of the brands on the Canadian market," Hoppenbrouwers added.

> **Imperial has made a "long-term strategic decision to fully concentrate its activities and focus on the cigarette business."**

The brands being taken over by the Danes hold 12 per cent of the Canadian cigar market.

The plant produces 5 million large cigars a year, and about 120 million cigarillos.

The No. 2 player in the business in Canada is **Rothmans Benson & Hedges,** with about 10 per cent.

The sale was in the cards even before **Imasco Ltd.,** Imperial's former owner, was broken up and sold starting in the summer of 1999, said Imperial official Michel Descôteaux.

Imperial has made a "long-term strategic decision to fully concentrate its activities and focus on the cigarette business," president and chief executive Bob Deacon said.

"The long-term success of Imperial Tobacco and that of its employees will be dependent on our collective ability to retain leadership in the cigarette business, and to grow market share on an annual basis," he added.

The union for the Joliette workers is Local 234-T of the U.S.-based Bakery, Confectionery, Tobacco and Grain Millers International Union. It has 125,000 members, 13,000 of them in Canada.

Daniel Rondeau, an international representative in Montreal who normally speaks for the Joliette workers, won't be available for comment until next week, a union official said.

Attempts to reach Sean Kelly, the union's vice-president (Canada), also proved unsuccessful.

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